

<p style="text-align: center;"><b>2007 - 2008</b> <b>ANNUAL REPORT</b></p>
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### **III. RECOMMENDED BUDGET ADJUSTMENTS AND CLEAN-UP ACTIONS**

#### **Recommended Budget Adjustments**

This section of the Annual Report summarizes recommended budget adjustments in all funds and is broken down by General Fund and Special/Capital Funds. This section consists of the following types of changes:

<b>General Fund</b>
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**Grants/Reimbursements** – These actions recognize new grant revenue or reimbursements from other agencies and appropriate the funds for these purposes.

**Development Fee Programs** – These actions fund activities needed to maintain service levels with offsetting reductions to fee reserves in the Planning, Building, Public Works, and Fire Fee Programs.

**Required Technical Adjustments** – These actions include required and recommended current year funding for items such as:

- Actions to correct errors in the 2008-2009 Adopted Budget, such as including a reduction to the overhead reimbursement estimate based on a revised overhead rate for the Convention and Cultural Affairs Fund; a lower transfer to the City Hall Debt Service Fund based on a revised distribution of these costs; and technical corrections to a 2007-2008 fund transfer for PG&E land settlement proceeds.
- Allocating funds from an approved sale of property to the Economic Uncertainty Reserve per City Council policy and establishing an Earmarked Reserve to address the potential impact of State budget actions.

**2008-2009 Fiscal/Program Needs** – These actions include current year adjustments to fund newly emerging, urgent budget issues such as Census 2010 outreach, expediting economic development activities, Police Department recruitment, an increase to the Economic Uncertainty Reserve, establishment of a Retirement Pre-Payment Reserve category, and associated appropriation adjustments to various departments to reflect savings from pre-paying the City's retirement contributions.

**Previous Council Direction** – These actions include required and recommended current year adjustments to respond to City Council policy and/or the Mayor's June Budget Message as adopted by City Council, such as: allocating 2007-2008 fund balance to establish the 2009-2010 Future Deficit Reserve and the Street Maintenance and Repair Reserve and repay a portion of the outstanding Fiber Optics Development Loan; and establishing an Airport West Proceeds Reserve appropriation from the net proceeds of the Airport West Property option payment.

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**(CONT'D.)**

**Recommended Budget Adjustments** (Cont'd.)

<b>Special/Capital Funds</b>
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**Special Fund Adjustments** – These actions adjust revenue estimates based on updated information, recognize new grants and reimbursements, reflect changes in project and program allocations based on revised cost estimates, and establish a limited number of new projects and programs.

**Capital Fund Adjustments** – These actions adjust capital projects based on revised revenue and cost estimates and project timing, reallocate project funding to and from reserves, and establish new projects to address current year needs.

**Clean-Up Actions**

<b>General Fund &amp; Special/Capital Funds</b>
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This section consists of clean-up actions for the General Fund and Special/Capital Funds. The following types of adjustments are included:

**Fund Balance Reconciliations** – These actions revise the Beginning Fund Balance estimates in the 2008-2009 budget for all funds where the actual (although unaudited) 2007-2008 Ending Fund Balance/2008-2009 Beginning Fund Balance differed from the budgeted amount.

**Rebudget Adjustments** – These actions revise various appropriations to rebudget funds to complete prior year projects. Downward adjustments to previous rebudget actions are included if actual year-end revenues or expenditures were higher than anticipated, while upward adjustments are included if actual year-end revenues or expenditures were lower than anticipated.

**Salary Program Adjustments** – The 2008-2009 Salary Program includes appropriation adjustments to various departments and funds to reflect salary and benefit changes resulting from agreements with bargaining units that became effective after the adoption of the 2008-2009 Operating Budget.

**Transfer to the City Hall Debt Service Fund** – These actions are recommended in Special/Capital Funds in order to bring the Transfer to the City Hall Debt Service Fund appropriations to a level necessary to adequately provide for each City fund's fair share allocation of debt service related to City Hall, the City Hall off-site employee parking garage, and furniture, fixtures, and equipment. This revised allocation of debt service by fund was not available during the development of the 2008-2009 Adopted Operating and Capital Budgets.

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**III. RECOMMENDED BUDGET ADJUSTMENTS AND CLEAN-UP ACTIONS**  
**(CONT'D.)**

**Clean-Up Actions** (Cont'd.)

<b>General Fund &amp; Special/Capital Funds</b> (Cont'd.)
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**Technical Adjustments** – These actions correct errors or align revenues and/or expenditures among appropriations and funds and include the following:

- **Net-Zero Transfers/Reallocations** – These actions include net-zero transfers between appropriations and funds, redistributing funding to accurately reflect previously-approved budget actions.
- **Grants/Reimbursements** – These actions include revenue and appropriation adjustments to reflect updated grant awards, assessment activity, and/or reimbursements for previously approved projects.
- **Fee Program Reconciliation** – These actions adjust appropriations based on actual fee program reconciliations. In the development fee programs, these actions adjust fee reserves or appropriations to reflect the policy of preserving all expenditure savings and/or revenue excess/shortfall and related interest earnings resulting from year-end reconciliations for the intended project or program.
- **Other Adjustments** – These actions correct errors or align revenues or expenditures based on final reconciliations and include the following:
  - **Arts Stabilization Flexible Fund** – Per previous City Council direction, this action allocates interest earnings on unspent program funding to support activities to improve financial management among arts organizations, address financial management challenges, and defray costs associated with management of this Fund.
  - **Comcast Public, Education, and Government (PEG) Access** – Per the City's agreement with Comcast, this reconciliation recommends allocating \$123,655 in revenue received from the City's cable provider and related interest earnings to the Public and Education Access Capital (\$80,840), PEG Access Operations (\$35,500), and Government Access Capital (\$7,315) appropriations and closing out the PEG Access Capital appropriation and transferring the funding to the Public and Education Access Capital (\$2,523,000) and the Government Access Capital (\$125,000) appropriations.
  - **Energy Efficiency Program Implementation** – Per previous City Council direction, this technical adjustment allocates first year energy savings from capital projects in the Fire and General Services Departments to a revolving energy efficiency City-Wide Expenses appropriation for future energy savings projects.

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**Clean-Up Actions** (Cont'd.)

<p><b>General Fund &amp; Special/Capital Funds</b> (Cont'd.)</p>
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**Other Adjustments** (Cont'd.)

- **Community Facilities Revenue Fund Transfer from the General Fund** – This action increases the transfer from the General Fund to the Community Facilities Revenue Fund by \$118,140 to correct an overage in a 2007-2008 transfer.
- **Hayes Mansion Bond Proceeds Transfer from the General Fund** – This technical adjustment increases the Transfer to the Community Facilities Revenue Fund to reflect the impact of debt service refunding related to the Hayes Mansion that was completed in 2007-2008 and deposited in the General Fund temporarily. The funding is budgeted in 2008-2009 in the Community Facilities Revenue Fund to reduce outstanding debt service payments.
- **Construction and Conveyance Tax CD#10 Fund Transfer from the General Fund** – Per previous City Council direction, this action establishes a transfer from the General Fund to the Council District 10 Construction and Conveyance Tax Fund to properly allocate \$70,750 in revenue from the 2007-2008 sale of surplus property on Corte De Rosa and Camden Avenue.
- **Water Utility Fund Transfer from the General Fund** – This reimbursement to the Water Utility Fund from the General Fund is required to comply with Municipal Code limitations on the amount of transfer that can be made to the General Fund from the Water Utility Fund for the annual Rate of Return (in 2008-2009) and Enterprise In-Lieu Fee payments (made in 2007-2008) based on a percentage of actual revenues received in 2007-2008. The 2007-2008 revenue was less than the budgeted estimate and this adjustment brings the transfer back into compliance with Code limitations.